

SOUTH CAROLINA COMMISSION ON DISABILITIES AND SPECIAL NEEDS

MINUTES

September 17, 2009

The South Carolina Commission on Disabilities and Special Needs met on Thursday, September 17, 2009, at 10:30 AM at the Department of Disabilities and Special Needs Central Office, 3440 Harden Street Extension, Columbia, South Carolina.

The following were in attendance:

COMMISSION

Present:

Kelly Hanson Floyd, Chairman
Rick Huntress, Vice Chairman
Otis Speight, Secretary
Bobby Harrell
Deborah McPherson
Nancy Banov
Susan Lait

DDSN Administrative Staff

Dr. Eugene Laurent, State Director; Tom Waring, Acting Deputy State Director, David Goodell, Associate State Director, Operations; Kathi Lacy, Associate State Director, Policy; Kevin Yacobi, Director, Internal Audit; Lisa Weeks, Budget Division; Daniel Davis, Director, Autism Division; Ann Dalton, Director, Quality Assurance; Lois Park Mole, Director, Government and Community Relations; Tana Vanderbilt, General Counsel; Janet Priest, Director, MR/RD Division; Linda Veldheer, Director, HASCI Division; Jennifer Buster, Director, Children's Services; David Foshee, Director, IT Services

Guests

Carolyn Brown, Voices for the Voiceless; Kathleen Roberts, SC PADD and Whitten Center Parent's Club; Mildred Lilley, Parent; Linda Lee, Whitten Center Parent's Club; Julie Price, Senate Medical Affairs Committee; Joyce Davis, Executive Director, BLASC; Thoyd Warren, Executive Director, Kershaw County DSN Board; Nancy McCormick, P & A, Craig Stoxen, Executive Director, SC Autism Society; Diane Epperly, SC Spinal Cord Injury Association; Ralph Courtney, Executive Director, Aiken County DSN Board; George Maky, DHHS;

Marian Dunlap, PADD; Mary Mack, Executive Director, Lee County DSN Board; Betty-Routh Steele; Saleeby Center/PADD; Donna H. Thompson, Babcock Center; Patricia Harrison, Advocate; Pat Fagan, District I Office; Leanne Johnston, SCHSP; Fred Lynn, Whitten Center; Laura Collins, Executive Director, Fairfield County DSN Board; Ralph Courtney, Executive Director, Aiken County DSN Board; Kinsey Carson, P & A; Benjamin Bullock, P & A; Rafe Ellisor, SCSCIA; Dr. Linda D. Lake, BIASC and Babcock Consumer; Dorothy Goodwin, Community Options; Jackie Richards, Family Connection; LaMondre and LaTanya Pough; Carolina Myers, Parent

Coastal Regional Center (via teleconference)

Barbara Smith, DDSN Retiree; Suzanne Johnson, Coastal Center Parent; Linda Bodiford, Coastal Center Parent; Rick Magner, Executive Director, Charleston DSN Board; Rufus Britt, III, Director, District II; John Hitchman, District II Office; Celestine Richardson, Executive Director, Dorchester County DSN Board

Pee Dee Regional Center (via teleconference)

Carnetha Dunham, Pee Dee Staff Member; Shonette Wilson, Pee Dee Staff Member; Connie Gandy, Family Member of Pee Dee Center Consumer; Faye Yarborough, Pee Dee Center Parent; Tommy Davis, Pee Dee Staff Member

Whitten Center (via teleconference)

Richard Osborne, Care Focus; Elaine Thena, Executive Director, Pickens County DSN Board; Thomas Parks, Voices for the Voiceless, Greenville; Beverly Brewer, Voices for the Vulnerable; John King, Director, District I

York County DSN Board (via teleconference)

Mary Poole, Executive Director, York County DSN Board, Janice Fowler, Staff Member; Micka Ashley, Staff Member; Terry Ard, Staff Member

News Release of Meeting

Mrs. Kelly Floyd, Chairman, called the meeting to order. Dr. Otis Speight read a statement of announcement about the meeting that had been mailed to the appropriate media, interested persons, and posted at the Central Office and on the website in accordance with the Freedom of Information Act.

Invocation

Mrs. Susan Lait gave the invocation.

Public Input

There were no requests for Public Input.

Report from DSN Boards

Mr. Ralph Courtney thanked the Search Committee for allowing him and others to participate on the Advisory Group Committee in the state director selection process. He also spoke about the transition of the new licensing process, the P & A review of homes, service coordination, and the day services waiting list.

Adoption of the Agenda

Mrs. Lait requested to add Old and New Business to the agendas as an item. On motion of Mrs. Lait, seconded by Mrs. Nancy Banov and passed, the Commission adopted to add an Old and New Business item on the meeting agendas.

Mrs. Deborah McPherson requested a contractual matter be added to the Executive Session of the agenda. On motion of Mrs. Banov, seconded by Dr. Speight and passed, the Commission approved adding the contractual matter to the agenda. (Attachment A)

Approval of the Minutes of the July 17, 2009 Meetings

On motion of Mr. Bobby Harrell, seconded by Dr. Speight and passed, the Commission approved the August 20, 2009 meeting minutes.

Finance and Audit Committee Report

Mrs. McPherson reported the Finance and Audit Committee met prior to the Commission Meeting and asked Mr. Tom Waring to give a summary of the 2006, 2007, and 2008 Cost Reports and the 2008 State Auditor Report. (Attachment B, C, D and E)

Mr. Waring stated the audits have been recently completed and representatives from Burkett, Burkett and Burkett Audit Firm and the State Auditor's Office attended the Committee Meeting to answer questions. Mr. Waring explained the audit process. He discussed the findings and corrections of the cost reports stating the findings had no impact on cost. Mr. Waring stated that the audits found that DDSN's financial records, procedures, and practices are sound.

Mr. Waring reported the findings in the State Audit Report are minor deficiencies and DDSN will take necessary steps to correct the deficiencies.

Mrs. McPherson stated there was discussion regarding the Orangeburg DSN Board during the Committee Meeting.

Boarding Home Issue: Privately Owned

Mr. David Goodell gave a presentation of the Protection and Advocacy Report (P & A) titled *No Place to Call Home*. This report noted that there were many problems with the private boarding homes in South Carolina. Mr. Goodell emphasized that DDSN does not endorse placement of consumers in private boarding homes. Families make this decision for their family members. He also noted that less than one percent of DDSN consumers reside in private boarding homes. DDSN receives and reviews all P & A boarding home reports to see if any DDSN consumers live in the homes. If DDSN consumers reside in a boarding home that gets a bad review, DDSN alerts the consumer's service coordinator and requests that they increase their monitoring of this consumer. Discussion followed on the budget affecting the system. Mr. Goodell stated that budget cuts will likely affect the enhanced service coordinator monitoring of the boarding homes. There was discussion regarding advisory groups consisting of family members visiting and monitoring the homes. Mr. Goodell stated DDSN could explore monitoring homes through an advisory group; however, he indicated that the P & A review process is very helpful.

On a related matter of P & A reviews of CTH IIs, Ms. McCormick explained the purpose of P & A and that their focus is the quality of life for individuals with disabilities and that P & A coordinates their activities with DMH, the Ombudsman and other agencies and organizations. Ms. McCormick stated that DDSN responds quickly to concerns and issues. Ms. McCormick reported that P & A is working with DDSN General Counsel regarding P & A's accessibility to consumer records. Ms. McCormick explained P & A has access to consumer records because of their role and that state law allows the accessibility along with a Health Insurance Portability and Accountability Act (HIPAA) exception. Mrs. McPherson suggested each family could give their consent to the release of the information. Discussion followed.

Budget Reduction: Plan A

Dr. Laurent stated there is some confusion as to how the State Budget and Control Board's 4.04% budget cut affects DDSN's service system and then asked Mr. Waring to explain Plan A as approved by the Commission at the August 20, 2009 meeting. Mr. Waring gave a review of each line item. Discussion followed. Mrs. Banov asked if the budget cut would impact families getting genetic counseling at the Greenwood Genetic Center. Mr. Waring stated that was not Dr. Stevenson's intention but services would be limited and that Dr. Stevenson is working on a plan.

Disability as a Unified Group

Mr. LaMondre Pough, a radio talk show host and motivational speaker, gave an inspiring speech inviting all groups to fight the fight together to improve the quality of life for people with disabilities.

Search Committee Report

Mr. Rick Huntress reported on the status of the State Director position. Phone interviews were conducted with seven candidates with the Advisory Group attending. The candidates were narrowed down to four from seven. Face-to-face interviews were conducted with the four candidates in Executive Sessions with the Advisory Group attending with the Commission Members grading each candidate. Mr. Huntress stated the results would be discussed in today's Executive Session.

Education Seminars

Dr. Kathi Lacy reported on the eight statewide education seminars conducted by her and Janet Priest to present and discuss the changes to the MR/RD waiver and the five new day services. Dr. Lacy stated they received good feedback on the five new day services and good questions on the MR/RD waiver. Preparations are being made to train service coordinators in October to ensure they have the tools they need to work with every affected consumer and family. Service coordinators will work with consumers and families in October through December to give them time to make the necessary adjustments by January 1, 2010. Mrs. McPherson suggested it would be helpful for families and service coordinators if a summary of the common questions or themes from the Education Seminars were posted on the website for their viewing. Dr. Lacy stated she would have the summary of questions posted.

Discussion followed concerning the continuation of therapy services which were deleted from the waiver since they could be covered under the state Medicaid plan. Dr. Lacy stated the therapies must be medically necessary and DHHS needs time to work out the best route for accessing such services for adults. Dr. Laurent stated there have been no specific concerns from families and this would be helpful. Mrs. Lait stated she understands that Janet Priest is drafting a plan to address the New Day Service waiting list. Dr. Lacy stated that DHEC is now conducting licensing inspections for day services.

State Director's Report

Dr. Laurent provided the Commission Members with a copy of a letter from the Medical Affairs Committee asking him to appear before the Subcommittee on September 23, 2009 in order to address how H.3314 would affect DDSN. Dr. Laurent asked for the Commission's input as to whether they

did or did not support H.3314. Dr. Laurent read and provided the Statement of Support to the Governor that was adopted at the February 4, 2009 Commission Meeting. Discussion followed as to what would be more beneficial to the consumers. On motion of Mr. Harrell, seconded by Dr. Speight and passed, the Commission approved unanimously that it was not in support of DDSN going into the Governor's Cabinet.

Dr. Laurent addressed the issue of hiring a parliamentarian for training the Commission members. Dr. Laurent stated he would discourage this. He stated the Commission operates under *Robert's Rules* giving flexibility to the meetings. Dr. Laurent presented each Commissioner with a *Robert's Rules for Dummies* and asked them to review and then decide if they would want to hire a parliamentarian. Discussion followed. Mrs. Floyd stated that the cost of hiring a parliamentarian could be discussed as new business at the next Commission meeting.

Dr. Laurent discussed fees for copying documents requested under the Freedom of Information Act. He gave a summary of what other agencies charge for copying documents. After discussion, it was determined the issue would be submitted to the Policy and Services Committee for discussion upon adjournment of the Commission meeting.

Dr. Laurent stated an Accountability Report was provided to each Commission Member.

Next Regular Meeting Date/Location

Mrs. Floyd announced the next Commission meeting would be held October 15, 2009, in Columbia, South Carolina.

Executive Session

On motion of Mr. Huntress, seconded by Mr. Harrell and passed, the Commission voted to enter Executive Session to discuss personnel and contractual matters.

On motion of Mr. Harrell, seconded by Mrs. Lait, the Commission voted to exit the Executive Session and re-enter the public session. It was noted that no action was taken.

Search Committee Report

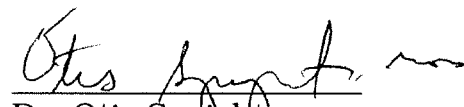
Mr. Huntress reported the advertisement for the state director position would be extended for an additional two weeks and in the same locations. The Advisory Group will be notified of scheduled interviews. The Commission will continue to work with the Interim Director during the process.

On motion of Mr. Harrell, seconded by Dr. Speight the meeting was adjourned.

Submitted by,


Sandra Delaney

Approved:


Dr. Otis Speight
Secretary

SOUTH CAROLINA COMMISSION ON DISABILITIES AND SPECIAL NEEDS

A G E N D A

**South Carolina Department of Disabilities and Special Needs
3440 Harden Street Extension
Conference Room 251
Columbia, South Carolina**

September 17, 2009

10:30 AM

1. Notice of Meeting Statement – *Commissioner Otis Speight*
2. Invocation – *Commissioner Susan Lait*
3. Introduction of Guests
4. Public Input
5. Report from DSN Boards – *Mr. Ralph Courtney*
6. Adoption of Agenda
7. Approval of the Minutes of the August 20, 2009 Meeting
8. Finance and Audit Committee Report:
 - Cost Reports: FY 06, 07, 08
 - State Auditor Report
9. Boarding Home Issue: Privately Owned
10. Budget Reduction: Plan A
11. Disability as a Unified Group
12. Search Committee Report
13. Education Seminars
14. State Director's Report – *Dr. Andy Laurent*
15. Next Regular Meeting Date/Location
16. Executive Session: Personnel

PLEASE SILENCE CELL PHONES DURING THE MEETING. THANK YOU.

**SOUTH CAROLINA DEPARTMENT OF
DISABILITIES AND SPECIAL NEEDS**

AGREED-UPON PROCEDURES REPORT

JUNE 30, 2006

**BURKETT
BURKETT & BURKETT**

Certified Public Accountants, P.A.

Eugene A. Laurent, Ph.D., Interim State Director
South Carolina Department of Disabilities and Special Needs
P.O. Box 4706 – Suite 220
Columbia, South Carolina 29240

Dear Dr. Laurent,

Enclosed is the final report for the agreed-upon procedures on the as-filed Medicaid cost reports submitted by the South Carolina Department of Disabilities and Special Needs (the Department) for the period July 1, 2005 to June 30, 2006. The following items were performed by us, however, these procedures are not considered appropriate to include in an agreed-upon procedures report, because they do not result in findings that are meaningful:

- We reviewed the South Carolina State Medicaid Plan, Attachment 4.19-D. We documented any pertinent information regarding program compliance, allowable costs, cost allocations and reimbursement methodology.
- We reviewed the five contracts and service agreements between the Department and the South Carolina Department of Health and Human Services (DHHS) for pertinent information regarding responsibilities, funding and reimbursement methodology.
- We reviewed the findings of and procedures performed during audits, agreed upon procedures and reviews performed by South Carolina General Assembly's Legislative Audit Council, SC Office of the State Auditor and DHHS Compliance and Performance Review for the purpose of identifying any items of interest which may have impacted the scope of procedures performed.
- We noted that voucher # 839196 to DHHS for \$83,790, was previously determined to be a disallowed cost in DHHS' March 26, 2008 Review. Our sample also included voucher #839197 to DHHS for \$95,216, which also reflects amounts paid for the Department's share of DHHS administrative cost. Subsequent correspondence dated August 10, 2009 exempts the Department from the cost share, stating that "SCDHHS will not go back to previous fiscal years and recoup any funds due from SCDDSN related to the cost share." As a result, we found no exceptions as a result of applying procedure ii.

We would like to express our appreciation to the Department's staff for their effort in helping us complete this agreed-upon procedures engagement. If you have any questions concerning the information contained in this report, please contact me at (803)794-3712.

Sincerely,



Larry D. Montague, Jr., CPA

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Certified Public Accountants, P.A.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

August 11, 2009

Eugene A. Laurent, Ph.D., Interim State Director
South Carolina Department of Disabilities and Special Needs
P.O. Box 4706 – Suite 220
Columbia, South Carolina 29240

We have performed the procedures enumerated below, which were agreed to by the governing body and management of South Carolina Department of Disabilities and Special Needs (the Department), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2006, in the areas addressed. The Department's management is responsible for its financial records, internal controls and compliance with Federal and State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

- i) For the Department's four Medicaid cost reports, we reconciled 15 balances (60 total) to the DDSN Final G/L Trial Balance for the fiscal year ended June 30, 2006.

We found no exceptions as a result of applying the procedure.

- ii) We inspected 60 individually significant vouchers with costs attributable to the Medicaid program paid directly by the Central office of the Department. We reviewed the selected costs to provide reasonable assurance that they are allowable, appropriate and Medicaid reimbursable. Our sample selection reflected both a judgmental and random selection process.

We found no exceptions as a result of applying the procedure.

- iii) We reconciled ten percent of the 39 audited provider financial statements (four total) to the adjustments on the Department's four Medicaid cost reports. We reviewed supporting source documents for competence of documentary evidence, support and accuracy.

We found no exceptions as a result of applying the procedure.

- iv) For the Department's four Medicaid cost reports, we selected a sample of 15 reclassifications and adjustments made within the cost reports (60 total). We reviewed the selected reclassifications and adjustments for propriety and competence of documentary evidence, support and accuracy.

During our testing of reclassifications, we noted that Administrative & General costs have been reclassified in excess of total salaries and other costs. As a result, Administrative & General costs are understated and inpatient routine service costs are overstated by the same amount. This does not materially change total costs, but it does affect classification of costs. We recommend that the Department ensure that reclassifications do not allocate costs in excess of total salaries and other costs, or that an adjustment is made to reverse the negative balance.

- v) We recalculated approximately ten percent of the Statistical information noted on the Department's four Medicaid cost reports. We reviewed five reconciliations of this information with MMIS/Medicaid statistics for accuracy of calculations.

We found no exceptions as a result of applying the procedure.

- vi) We recalculated approximately ten percent of the selected service unit rates established by the Department's four Medicaid cost reports.

We found no exceptions as a result of applying the procedure.

- vii) We sampled one provider cost report for each of the four regions (four total) to ensure internal desk reviews were performed, per the Department's internal procedures.

During our testing of internal desk reviews, we noted that the internal ICF/MR desk review for Oconee County Disabilities and Special Needs Board was only partially documented. It is not determinable if the procedures were or were not performed, however no material changes in total costs were noted as a result of our testing. In order to ensure proper documentation, we recommend that the Department ensure that desk reviews are fully documented and reviewed for completeness by the preparer's supervisor.

- viii) We sampled five provider contracts that are directly contracted with the Department to ensure internal desk reviews were performed, per the Department's internal procedures.

We found no exceptions as a result of applying the procedure.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

South Carolina Department of Disabilities and Special Needs
Page 3 of 3

This report is intended solely for the information and use of the Department and is not intended to be and should not be used by anyone other than those specified parties.

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BURKETT BURKETT & BURKETT
Certified Public Accountants, P.A.

West Columbia, South Carolina
August 11, 2009

SOUTH CAROLINA DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS

MANAGEMENT'S RESPONSE - COST REPORT PERIOD ENDED 06/30/2006

During the course of Agreed Upon Procedures applied to the Cost Report period ended June 30, 2006, the following exceptions were noted:

- A mathematical error resulted in reclassification of expenses improperly, the result of which being a misclassification of costs between Administrative/ General costs and Inpatient Routine costs.
- A desk audit guide was not completely signed off on by the employee performing the desk audit procedures resulting in a lack of documentation that the procedures were indeed performed.

Agency Action Taken

The Department will review procedures to ensure that adequate supervisory and managerial review of all working papers and cost report schedules be performed and documented to ensure clerical accuracy and adequacy of supporting documentation.

**SOUTH CAROLINA DEPARTMENT OF
DISABILITIES AND SPECIAL NEEDS**

AGREED-UPON PROCEDURES REPORT

JUNE 30, 2007

**BURKETT
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Certified Public Accountants, P.A.

Eugene A. Laurent, Ph.D., Interim State Director
South Carolina Department of Disabilities and Special Needs
P.O. Box 4706 – Suite 220
Columbia, South Carolina 29240


Dear Dr. Laurent,

Enclosed is the final report for the agreed-upon procedures on the as-filed Medicaid cost reports submitted by the South Carolina Department of Disabilities and Special Needs (the Department) for the period July 1, 2006 to June 30, 2007. The following items were performed by us, however, these procedures are not considered appropriate to include in an agreed-upon procedures report, because they do not result in findings that are meaningful:

- We reviewed the South Carolina State Medicaid Plan, Attachment 4.19-D. We documented any pertinent information regarding program compliance, allowable costs, cost allocations and reimbursement methodology.
- We reviewed the five contracts and service agreements between the Department and the South Carolina Department of Health and Human Services (DHHS) for pertinent information regarding responsibilities, funding and reimbursement methodology.
- We reviewed the findings of and procedures performed during audits and agreed upon procedures performed by South Carolina General Assembly's Legislative Audit Council and SC Office of the State Auditor for the purpose of identifying any items of interest which may have impacted the scope of procedures performed.

We would like to express our appreciation to the Department's staff for their effort in helping us complete this agreed-upon procedures engagement. If you have any questions concerning the information contained in this report, please contact me at (803)794-3712.

Sincerely,


Larry D. Montague, Jr., CPA

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

August 13, 2009

Eugene A. Laurent, Ph.D., Interim State Director
South Carolina Department of Disabilities and Special Needs
P.O. Box 4706 – Suite 220
Columbia, South Carolina 29240

We have performed the procedures enumerated below, which were agreed to by the governing body and management of South Carolina Department of Disabilities and Special Needs (the Department), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2007, in the areas addressed. The Department's management is responsible for its financial records, internal controls and compliance with Federal and State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

- i) For the Department's four Medicaid cost reports, we reconciled 15 balances (60 total) to the DDSN Final G/L Trial Balance for the fiscal year ended June 30, 2007.

We found no exceptions as a result of applying the procedure.

- ii) We inspected 60 individually significant vouchers with costs attributable to the Medicaid program paid directly by the Central office of the Department. We reviewed the selected costs to provide reasonable assurance that they are allowable, appropriate and Medicaid reimbursable. Our sample selection reflected both a judgmental and random selection process.

We found no exceptions as a result of applying the procedure.

- iii) We reconciled ten percent of the 39 audited provider financial statements (four total) to the adjustments on the Department's four Medicaid cost reports. We reviewed supporting source documents for competence of documentary evidence, support and accuracy.

We found no exceptions as a result of applying the procedure.

- iv) For the Department's four Medicaid cost reports, we selected a sample of 15 reclassifications and adjustments made within the cost reports (60 total). We reviewed the selected reclassifications and adjustments for propriety and competence of documentary evidence, support and accuracy.

During our testing of reclassifications, we noted that Administrative & General costs have been reclassified in excess of total salaries and other costs. As a result, Administrative & General costs are understated and inpatient routine service costs are overstated by the same amount. This does not materially change total costs, but it does affect classification of costs. We recommend that the Department ensure that reclassifications do not allocate costs in excess of total salaries and other costs, or that an adjustment is made to reverse the negative balance.

- v) We recalculated approximately ten percent of the Statistical information noted on the Department's four Medicaid cost reports. We reviewed five reconciliations of this information with MMIS/Medicaid statistics for accuracy of calculations.

During our testing of Statistical information, we noted that the information on Worksheet B-1 of the Piedmont cost report does not reconcile to the cost allocation on Worksheet B Part I. Additionally, two cost centers are not presented on Worksheet B-1 of the Pee Dee cost report. This does not change the cost allocation or total costs, but it does affect the usefulness of information on Worksheet B-1 of these reports. In order to ensure proper reporting, we recommend that the Department ensure that cost reports are reviewed for completeness and accuracy by the preparer's supervisor.

- vi) We recalculated approximately ten percent of the selected service unit rates established by the Department's four Medicaid cost reports.

We found no exceptions as a result of applying the procedure.

- vii) We sampled one provider contract for each of the four regions (four total) to ensure internal desk reviews were performed, per the Department's internal procedures.

We found no exceptions as a result of applying the procedure.

- viii) We sampled five provider contracts that are directly contracted with the Department to ensure internal desk reviews were performed, per the Department's internal procedures.

We found no exceptions as a result of applying the procedure.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department and is not intended to be and should not be used by anyone other than those specified parties.

Burkett Burkett & Burkett

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Certified Public Accountants, P.A.

West Columbia, South Carolina
August 13, 2009

SOUTH CAROLINA DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS

MANAGEMENT'S RESPONSE - COST REPORT PERIOD ENDED 06/30/2007

During the course of Agreed Upon Procedures applied to the Cost Report period ended June 30, 2007, the following exceptions were noted:

- A mathematical error resulted in reclassification of expenses improperly, the result of which being a misclassification of costs between Administrative/ General costs and Inpatient Routine costs.
- During assembly of the as-filed Cost Report, the wrong version of a revised Worksheet B-1 was included, resulting in the cost report not properly reconciling to itself.

Agency Action Taken

The Department will review procedures to ensure that adequate supervisory and managerial review of all working papers and cost report schedules included in the assembled as-filed cost report be performed and documented to ensure clerical accuracy and adequacy of supporting documentation.

**SOUTH CAROLINA DEPARTMENT OF
DISABILITIES AND SPECIAL NEEDS**

AGREED-UPON PROCEDURES REPORT

JUNE 30, 2008

**BURKETT
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Certified Public Accountants, P.A.

Eugene A. Laurent, Ph.D., Interim State Director
South Carolina Department of Disabilities and Special Needs
P.O. Box 4706 – Suite 220
Columbia, South Carolina 29240

Dear Dr. Laurent,

Enclosed is the final report for the agreed-upon procedures on the as-filed Medicaid cost reports submitted by the South Carolina Department of Disabilities and Special Needs (the Department) for the period July 1, 2007 to June 30, 2008. The following items were performed by us, however, these procedures are not considered appropriate to include in an agreed-upon procedures report, because they do not result in findings that are meaningful:

- We reviewed the South Carolina State Medicaid Plan, Attachment 4.19-D. We documented any pertinent information regarding program compliance, allowable costs, cost allocations and reimbursement methodology.
- We reviewed the five contracts and service agreements between the Department and the South Carolina Department of Health and Human Services (DHHS) for pertinent information regarding responsibilities, funding and reimbursement methodology.
- We reviewed the findings of and procedures performed during audits and agreed upon procedures performed by South Carolina General Assembly's Legislative Audit Council and SC Office of the State Auditor for the purpose of identifying any items of interest which may have impacted the scope of procedures performed.

We would like to express our appreciation to the Department's staff for their effort in helping us complete this agreed-upon procedures engagement. If you have any questions concerning the information contained in this report, please contact me at (803)794-3712.

Sincerely,



Larry D. Montague, Jr., CPA

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Certified Public Accountants, P.A.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

August 13, 2009

Eugene A. Laurent, Ph.D., Interim State Director
South Carolina Department of Disabilities and Special Needs
P.O. Box 4706 – Suite 220
Columbia, South Carolina 29240

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The procedures and the associated findings are as follows:

- i) For the Department's four Medicaid cost reports, we reconciled 15 balances (60 total) to the DDSN Final G/L Trial Balance for the fiscal year ended June 30, 2008.

We found no exceptions as a result of applying the procedure.

- ii) We inspected 60 individually significant vouchers with costs attributable to the Medicaid program paid directly by the Central office of the Department. We reviewed the selected costs to provide reasonable assurance that they are allowable, appropriate and Medicaid reimbursable. Our sample selection reflected both a judgmental and random selection process.

We found no exceptions as a result of applying the procedure.

- iii) We reconciled ten percent of the 39 audited provider financial statements (four total) to the adjustments on the Department's four Medicaid cost reports. We reviewed supporting source documents for competence of documentary evidence, support and accuracy.

We found no exceptions as a result of applying the procedure.

- iv) For the Department's four Medicaid cost reports, we selected a sample of 15 reclassifications and adjustments made within the cost reports (60 total). We reviewed the selected reclassifications and adjustments for propriety and competence of documentary evidence, support and accuracy.

During our testing of reclassifications, we noted that Administrative & General costs have been reclassified in excess of total salaries and other costs. As a result, Administrative & General costs are understated and inpatient routine service costs are overstated by the same amount. This does not materially change total costs, but it does affect classification of costs. We recommend that the Department ensure that reclassifications do not allocate costs in excess of total salaries and other costs, or that an adjustment is made to reverse the negative balance.

- v) We recalculated approximately ten percent of the Statistical information noted on the Department's four Medicaid cost reports. We reviewed five reconciliations of this information with MMIS/Medicaid statistics for accuracy of calculations.

We found no exceptions as a result of applying the procedure.

- vi) We recalculated approximately ten percent of the selected service unit rates established by the Department's four Medicaid cost reports.

We found no exceptions as a result of applying the procedure.

- vii) We sampled one provider contract for each of the four regions (four total) to ensure internal desk reviews were performed, per the Department's internal procedures.

We found no exceptions as a result of applying the procedure.

- viii) We sampled five provider contracts that are directly contracted with the Department to ensure internal desk reviews were performed, per the Department's internal procedures.

We found no exceptions as a result of applying the procedure.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

South Carolina Department of Disabilities and Special Needs
Page 3 of 3

This report is intended solely for the information and use of the Department and is not intended to be and should not be used by anyone other than those specified parties.

Burkett Burkett & Burkett

BURKETT BURKETT & BURKETT
Certified Public Accountants, P.A.

West Columbia, South Carolina
August 13, 2009

SOUTH CAROLINA DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS

MANAGEMENT'S RESPONSE - COST REPORT PERIOD ENDED 06/30/2008

During the course of Agreed Upon Procedures applied to the Cost Report period ended June 30, 2008, the following exceptions were noted:

- A mathematical error resulted in reclassification of expenses improperly, the result of which being a misclassification of costs between Administrative/ General costs and Inpatient Routine costs.

Agency Action Taken

The Department will review procedures to ensure that adequate supervisory and managerial review of all working papers and cost report schedules included in the assembled as-filed cost report be performed and documented to ensure clerical accuracy.

**SOUTH CAROLINA DEPARTMENT OF
DISABILITIES AND SPECIAL NEEDS**

COLUMBIA, SOUTH CAROLINA

STATE AUDITOR'S REPORT

JUNE 30, 2008

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State of South Carolina



Office of the State Auditor

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DEPUTY STATE AUDITOR

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 19, 2009

The Honorable Mark Sanford, Governor
and
Members of the Disabilities and Special Needs Commission
South Carolina Department of Disabilities and Special Needs
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Department of Disabilities and Special Needs (the Department), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2008, in the areas addressed. The Department's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. **Cash Receipts and Revenues**

- We inspected selected recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations.
- We inspected selected recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in the State's accounting system (STARS) as reflected on the Comptroller General's reports to determine if recorded revenues were in agreement.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current year recorded revenues at the subfund and object code level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that revenue was classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$36,300 – general fund, \$536,500 – earmarked fund, \$10,200 – restricted fund, and \$7,400 – federal fund) and ± 10 percent.

The Honorable Mark Sanford, Governor
and
Members of the Disabilities and Special Needs Commission
South Carolina Department of Disabilities and Special Needs
May 19, 2009

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented in Deposits and Accounting and Reporting of Federal Activity in the Accountant's Comments section of this report.

2. **Non-Payroll Disbursements and Expenditures**

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the agency's policies and procedures and State regulations, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded expenditures were in agreement.
- We compared current year expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$409,400 – general fund, \$529,300 – earmarked fund, \$10,700 – restricted fund, and \$7,800 – federal fund) and ± 10 percent.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

3. **Payroll Disbursements and Expenditures**

- We inspected selected recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions, including employee payroll deductions, were properly authorized and were in accordance with existing legal requirements and processed in accordance with the agency's policies and procedures and State regulations.
- We inspected selected payroll vouchers to determine if the vouchers were properly approved and if the gross payroll agreed to amounts recorded in the general ledger and in STARS.
- We inspected payroll transactions for selected new employees and those who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the agency's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
- We compared amounts recorded in the general ledger and subsidiary ledgers to those in various STARS reports to determine if recorded payroll and fringe benefit expenditures were in agreement.

The Honorable Mark Sanford, Governor
and
Members of the Disabilities and Special Needs Commission
South Carolina Department of Disabilities and Special Needs
May 19, 2009

- We compared current year payroll expenditures at the subfund and major object code level to those of the prior year. We investigated changes in the general, earmarked, restricted and federal funds to ensure that expenditures were classified properly in the agency's accounting records. The scope was based on agreed upon materiality levels (\$409,400 – general fund, \$529,300 – earmarked fund, \$10,700 – restricted fund, and \$7,800 – federal fund) and ± 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions; and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of ± 5 percent to ensure that payroll expenditures were classified properly in the agency's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

4. **Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected selected recorded journal entries and all operating and appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the agency's policies and procedures and State regulations.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

5. **General Ledger and Subsidiary Ledgers**

- We inspected selected entries and monthly totals in the subsidiary records of the Department to determine if the amounts were mathematically accurate; the numerical sequences of selected document series were complete; the selected monthly totals were accurately posted to the general ledger; and selected entries were processed in accordance with the agency's policies and procedures and State regulations.

The transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

6. **Reconciliations**

- We obtained all monthly reconciliations prepared by the Department for the year ended June 30, 2008, and inspected selected reconciliations of balances in the Department's accounting records to those in STARS as reflected on the Comptroller General's reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Department's general ledger, agreed the applicable amounts to the STARS reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Department's accounting records and/or in STARS.

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and
Members of the Disabilities and Special Needs Commission
South Carolina Department of Disabilities and Special Needs
May 19, 2009

The reconciliations selected were chosen randomly. We found no exceptions as a result of the procedures.

7. **Appropriation Act**

- We inspected agency documents, observed processes, and/or made inquiries of agency personnel to determine the Department's compliance with Appropriation Act general and agency specific provisos.

Our finding as a result of these procedures is presented in Blanket Bond Approval in the Accountant's Comments section of this report.

8. **Closing Packages**

- We obtained copies of all closing packages as of and for the year ended June 30, 2008, prepared by the Department and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's GAAP Closing Procedures Manual requirements and if the amounts reported in the closing packages agreed with the supporting workpapers and accounting records.

Our findings as a result of these procedures are presented in Object Codes and Closing Packages in the Accountant's Comments section of this report.

9. **Schedule of Federal Financial Assistance**

- We obtained a copy of the schedule of federal financial assistance for the year ended June 30, 2008, prepared by the Department and submitted to the State Auditor. We inspected it to determine if it was prepared in accordance with the State Auditor's letter of instructions; if the amounts agreed with the supporting workpapers and accounting records.

Our finding as a result of these procedures is presented in Accounting and Reporting of Federal Activity in the Accountant's Comments section of this report.

10. **Status of Prior Findings**

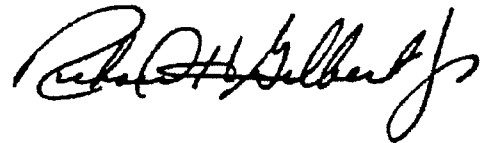
- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department of Disabilities and Special Needs resulting from our engagement for the fiscal year ended June 30, 2007, to determine if the Department had taken corrective action.

Our findings as a result of these procedures are presented in Deposits, Accounting and Reporting of Federal Activity, and Closing Packages in the Accountant's Comments section of this report.

The Honorable Mark Sanford, Governor
and
Members of the Disabilities and Special Needs Commission
South Carolina Department of Disabilities and Special Needs
May 19, 2009

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor and of the governing body and management of the South Carolina Department of Disabilities and Special Needs and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

ACCOUNTANT'S COMMENTS

SECTION A - VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Management of each State agency is responsible for establishing and maintaining internal controls to ensure compliance with State Laws, Rules or Regulations. The procedures agreed to by the agency require that we plan and perform the engagement to determine whether any violations of State Laws, Rules or Regulations occurred.

The conditions described in this section have been identified as violations of State Laws, Rules or Regulations.

DEPOSITS

During our tests of cash receipts and revenue cut-off, we identified three receipt input documents which contained receipts that were not deposited in a timely manner.

General Proviso 72.1 of the fiscal year 2008 Appropriations Act requires that all general State revenues derived from taxation, licenses, fees, or from any other sources whatsoever, be remitted to the State Treasurer at least once each week, when practical. Additionally, the Department's Finance Manual, Cash Receipting and Depositing Procedures 3.21 states that all money must be deposited within five working days of being received.

We recommend that the Department review and strengthen its procedures to ensure that receipts are deposited timely in accordance with State law and Department policy.

ACCOUNTING AND REPORTING OF FEDERAL ACTIVITY

We tested the Department's fiscal year 2008 schedule of federal financial assistance (SFFA) and noted the following errors:

- The Department omitted a grant title on the SFFA.
- The SFFA identified certain federal programs (Food Donation, School Breakfast Program, and National School Lunch Program) that were not included on the Comptroller General's CSA 467 Report which summarizes all activity within the federal subfund 5XXX. This discrepancy occurred because the Department recorded activity related to these federal programs to subfund 3XXX rather than to subfund 5XXX as required by the Comptroller General's Office.

The State Auditor's Office provides a letter of instruction to each State agency for the proper completion of the SFFA. In addition, the STARS Manual describes the federal fund as follows:

- Accounts for financial transactions associated with funds received from the federal government, either directly or as an allocation from another agency.
- Federal subfund numbers are in the 5XXX series (e.g. 5055).

We recommend that the Department ensure that the SFFA is prepared and independently reviewed by staff that is knowledgeable of the requirements of the State Auditor's Letter of Instructions and STARS Manual requirements. Additionally, we recommend that the Department implement procedures to strengthen the review process for detecting errors on its SFFA. Further, the Department should prepare STARS correcting entries to ensure that grant activity is properly reflected in the CSA 467 report.

BLANKET BOND APPROVAL

South Carolina Code of Laws Section 1-11-180 states that the Budget and Control Board may approve blanket bonds for a State department, agency, or institution including bonds for state officials or personnel. However, the form and execution of blanket bonds must be approved by the Attorney General. The Budget and Control Board has delegated its responsibility to the State Auditor.

In our review of the Department's compliance with this law, we noted that the Department did not obtain Attorney General and State Auditor approval for its employee blanket bond.

We recommend that the Department comply with the South Carolina Code of Laws Section 1-11-180 and obtain approvals for its blanket bond from the Attorney General and State Auditor as required.

OBJECT CODES

During our review of the Capital Assets Additions Reconciliation, we noted the Department recorded a \$20 book purchase using object code 0618 – Library Books, Maps, and Films (Capitalized). Because the purchase did not meet the Department's capitalization threshold, the Department should have recorded the transaction using object code 5018 - Library Books, Maps, and Films (Non-Capitalized).

Reference 3.8 of the Comptroller General's GAAP Closing Procedures Manual states "Short-lived assets and those costing small amounts are not capital assets." Also, the Comptroller General's STARS Manual provides object code definitions for the proper classification of transactions.

We recommend that Department personnel responsible for assigning object codes to transactions be knowledgeable regarding STARS classification definitions and State capitalization criteria.

CLOSING PACKAGES

Introduction

The Office of the Comptroller General (OCG) obtains certain generally accepted accounting principles (GAAP) data for the State's financial statements from agency prepared closing packages because the State's accounting system (STARS) is on a budgetary basis. To accurately report the Department's and the State's assets, liabilities, and current year operations, the GAAP closing packages must be complete and accurate. Furthermore, Section 1.7 of the Comptroller General's GAAP Closing Procedures Manual (GAAP Manual) states that "The accuracy of closing package data is extremely important. Large errors jeopardize the accuracy of the State's financial statements. The existence of even "small" errors tends to cast doubt on the State internal control structure's ability to detect and

correct errors. All errors are avoidable. We all must work together to implement procedures that keep closing package errors to an absolute minimum. An adequate internal control system includes safeguards to ensure that your agency detects and corrects its own closing package errors. Whenever the Comptroller General's Office or auditors detect errors, it means that your agency's system of internal control could be stronger." Section 1.7 further states that a supervisory employee should perform a review that includes tracing all amounts from the appropriate agency accounting records or other original sources to the working papers and finally to the closing package itself. In addition, Section 1.8 directs agencies to keep working papers to support each amount and other information they enter on each closing package form. The following outlines the errors noted on certain 2008 closing packages:

Litigation Closing Package

GAAP Manual Section 3.13 requires agencies to complete a Litigation Overview Form "For all actual and threatened litigation cases that were pending for your agency at June 30, all that have arisen since June 30, any others that were reported last year on a Litigation Contingency Report Form, and for payments made to private attorneys during the current fiscal year."

We determined that the Department did not report on the Litigation Overview Form two cases that were reported on the Litigation Contingency Report Form in the prior year.

We recommend that the Department complete a Litigation Overview Form for cases that meet the GAAP Manual criteria described above.

Capital Assets Additions Reconciliation

The Department reported on the Capital Assets Additions Reconciliation form capitalized contract retentions of \$32,030 and non-capitalized contract retentions of \$61,549. We determined that the reported amounts did not agree to supporting documentation. It appears that the person preparing the form transposed contract retention amounts and the errors were not detected by the reviewer. In addition, the Department reported contract retentions payable of \$17,826 on line B.1. of the reconciliation. However, this line should only include accounts payable for capitalizable equipment and capital outlays. Contract retentions payable should be included as an addition only in the year that a new retention payable is incurred.

The GAAP Manual Section 3.10 requires that capitalized contract retentions and non-capitalized contract retentions be reported separately because they have different GAAP fund codes. Also, instructions for line B.1. of the reconciliation state "Note: Do not include contract retention amounts here."

We recommend that the Department's personnel responsible for preparing and reviewing the Capital Assets Additions Reconciliation be knowledgeable of the GAAP Manual instructions and trace amounts to supporting documentation to ensure that they are reported on the appropriate lines.

SECTION B - STATUS OF PRIOR FINDINGS

During the current engagement, we reviewed the status of corrective action taken on each of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department for the fiscal year ended June 30, 2007, and dated March 19, 2008. We determined that the Department has taken adequate corrective action on each of the findings, except we have repeated Deposits, Closing Packages, and Accounting and Reporting of Federal Activity.

MANAGEMENT'S RESPONSE

SOUTH CAROLINA DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS

**MANAGEMENT'S RESPONSE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SECTION A – VIOLATIONS OF STATE LAWS, RULES OR REGULATIONS

Deposits

Finding: "... identified three receipt input documents which contained receipts that were not deposited in a timely manner."

Recommendation..." the Department review and strengthen its procedures to ensure that receipts are deposited timely in accordance with State law and Department Policy."

Action Taken: The Department will review its practices to ensure all receipts are deposited timely.

Accounting and Reporting of Federal Activity

The following errors were noted:

- The Department omitted a grant title on the SFFA.
- The SFFA identified certain federal programs (Food Donation, School Breakfast Program, and National School Lunch Program) that were not included on the Comptroller General's CSA 467 Report which summarizes all activity within the federal subfund 5XXX. This discrepancy occurred because the Department recorded activity related to these federal programs to subfund 3XXX rather than to subfund 5XXX as required by the Comptroller General's Office.

Recommendation: "... the Department ensure that the SFFA is prepared and independently reviewed by staff knowledgeable of the requirements of the State Auditor's letter of instruction and STARS Manual requirements. Additionally,... that the Department implement procedures to strengthen the review process for detecting errors on the SFFA. Further the Department should prepare STARS correcting entries to ensure that grant activity is properly reflected in the CSA 467 report."

Action taken: The Department will ensure proper review of the SFFA to provide for detection of any errors and will explicitly follow the instructions promulgated by the State Auditor in regard to such. Subsequent to the close of State Fiscal Year 08, pursuant to recommendations found within the State Auditor's Report for SFY07, the Department has begun recording the transactions of the aforementioned programs in subfund 5XXX.

Blanket Bond Approval

Finding: "...the Department did not obtain Attorney General and State Auditor approval for its employee blanket bond."

Recommendation: "... the Department comply with the South Carolina Code of Laws Section 1-11-180 and obtain approvals for its blanket bond from the Attorney General and State Auditor as required

Action Taken: The Department will review procedures to ensure that the provisions of Code of Laws Section 1-11-180 are complied with and the appropriate approvals are received.

Object Codes

Finding: "...the Department recorded a \$20 book purchase using object code 0618 – Library Books, Maps and Films (Capitalized)...the Department should have recorded the transaction using object code 5018 – Library Books, Maps, and Films (Non-Capitalized)."

Recommendation: "Department personnel responsible for assigning object codes to transactions be knowledgeable regarding STARS classification definitions and State capitalization criteria."

Action Taken: The Department will take all caution to ensure proper object codes are assigned to transactions in accordance with STARS classification definitions and State capitalization criteria.

Litigation Closing Package

Finding: "...the Department did not report on the Litigation Overview Form two cases that were reported on the Litigation Contingency Report Form in the prior year."

Recommendation...that the Department complete a Litigation Overview Form for cases that meet the GAAP Manual criteria...

Action Taken: The Department will review procedures to ensure compliance with Closing Package instructions and the GAAP Manual criteria referred to above.

Capital Assets Additions Reconciliation

The following findings were noted:

- \$32,030 Capitalized contract retentions transposed with \$61,549 Non-Capitalized contract retentions.
- Contract retentions payable of \$17,826 improperly recorded as accounts payable for capitalizable equipment and capital outlays on line B.1. of the reconciliation

Recommendation: "...the Department's personnel responsible for preparing and reviewing the Capital Assets Additions Reconciliation be knowledgeable of the GAAP Manual instructions and trace amounts to supporting documentation to ensure that they are reported on the appropriate lines.

Action Taken: The Department will review procedures to ensure adequate supervisory review of closing package workpapers sufficient enough to ensure compliance with Closing Package instructions and GAAP Manual criteria.

4 copies of this document were published at an estimated printing cost of \$1.58 each, and a total printing cost of \$6.32. Section 1-11-125 of the South Carolina Code of Laws, as amended requires this information on printing costs be added to the document.